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ANNUAL
REPORT
1960



STANDARD OIL COMPANY OF CALIFORNIA

UNIVERSITY OF ILLINOIS

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Illustrations on the cover: Top, drilling well on Kenai Peninsula, Alaska. Left, Standard Stations, Inc., customer and pump block. Right, Laboratory evaluation of seismographic results in exploration, La Habra Laboratories of California Research Corporation. Bottom, El Paso refinery with El Paso and Ciudad Juárez in background.

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Standard Oil Company of California

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WILLIAM M. ALLEN *Director*
HILLYER BROWN *Vice-President, Director*
ASA V. CALL *Director*
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ATHOLL McBEAN *Director*
JOHN A. McCONE *Director*
O. N. MILLER *Vice-President, Director*
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Directors and Officers

W. H. BEEKHUIS *Vice-President*
K. H. CRANDALL *Vice-President*
W. W. DAVISON *Vice-President*
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E. R. PETERSON *Vice-President*
G. M. FOSTER *Secretary*
H. D. ARMSTRONG *Treasurer*
W. K. MINOR *Comptroller*

Highlights

FINANCIAL

	1960	1959
<i>Net Income</i> — <i>Western Hemisphere</i>	\$ 149,317,441	\$ 142,359,382
<i>Eastern Hemisphere</i>	116,795,305	111,239,679
Total	\$ 266,112,746	\$ 253,599,061
<i>Per Share</i> (on 63,224,386 shares)	\$4.21	\$4.01
 <i>Cash Dividends</i>	 \$ 126,429,274	 \$ 126,448,772
<i>Per Share</i>	\$2.00	\$2.00
 <i>Capital and Exploratory Expenditures</i>	 \$ 369,936,000	 \$ 399,992,000
 <i>Stockholders' Equity</i>		
Total Assets	\$2,782,283,000	\$2,578,296,000
Liabilities	522,593,000	458,289,000
Stockholders' Equity	\$2,259,690,000	\$2,120,007,000
Additional Equity in Affiliates (principally Eastern Hemisphere)	454,983,000	451,016,000
Combined Equity — at book value	\$2,714,673,000	\$2,571,023,000

OPERATING*

	Barrels Daily	
<i>Gross Production of Crude Oil and Natural Gas Liquids</i>		
Western Hemisphere	425,300	400,200
Eastern Hemisphere	562,300	486,400
Total World-Wide	987,600	886,600
 <i>Refinery Runs of Crude Oil</i>		
Western Hemisphere	519,900	506,300
Eastern Hemisphere	321,100	284,100
Total World-Wide	841,000	790,400
 <i>Sales of Petroleum Products and Net Crude Oil</i>		
Western Hemisphere	607,200	542,800
Eastern Hemisphere	368,900	328,000
Total World-Wide	976,100	870,800

*Including interest in affiliates.

Annual Report to the Stockholders 1960

Net income of the Company in 1960 was \$266,112,746, or \$4.21 a share, compared with \$253,599,061, or \$4.01 a share in 1959. This increase reflected a general improvement in all major branches of the business.

World-wide oversupply and price weaknesses persisted, checking somewhat the economic progress of the Company and the oil industry as a whole.

The Western Hemisphere contribution to 1960 earnings was \$2.36 a share, a gain of 5%. Higher sales of petroleum products and chemicals and increased domestic production contributed to this advance. Company-wide programs for reducing costs and raising productivity also were instrumental in the improvement. These efforts are being continued vigorously in the current year.

Income from the Eastern Hemisphere amounted to \$1.85 a share, also 5% better than in 1959, as a result of higher dividend payments from affiliates in that area of the world.

The Company's equity in the net assets of affiliates, at book value, now is \$454,983,000 higher than the investment carried in the Company's books. This figure principally reflects the accumulation by affiliates of undistributed earnings retained in prior years for reinvestment in the business.

Dividends paid to stockholders totaled \$126,429,274, at the rate of \$2.00 a share, the same rate paid in 1959.

Competition continued to be intensive for both domestic and foreign markets, although some easing of the problems which confronted the industry in the previous year was evident.

In the United States, previously excessive inventories of crude oil and petroleum products were lowered significantly, and at the close of the year there was an improved relationship between demand, production and refinery runs.

Demand for oil in the Free Foreign countries increased by some 11%, as compared with an increase in the United States of 2%. This afforded new opportunities to utilize the excess productive capacity made available by recent major discoveries in foreign areas.

The world-wide surplus of tanker tonnage, which for several years has adversely affected international oil operations, was appreciably reduced, although remaining a serious problem. With four large tankers of the Company taken out of layup and restored to service, the Company's fleet was fully employed at the end of the year.

The slowdown in the United States' economy which became apparent in the latter half of 1960 is expected to persist through the spring. However, oil industry prospects are now somewhat better than they were a year ago, and further progress is foreseen in the Company's operating results during 1961.

* * *

In 1960 the Company's world-wide gross production of crude oil and natural gas liquids, including its share of production of Eastern Hemisphere affiliates, averaged 987,600 barrels a day. During the last several months of the year, this figure exceeded a million barrels a day for the first time in Company history. The daily average world-wide production was 11% higher than in 1959.

Note: References to "the Company" include activities of companies over 50% owned and controlled. The term "affiliate" refers to a company in which the interest held is approximately 50% or less.

Exploration and development programs in the Western Hemisphere raised to a new high the Company's underground reserves of crude oil, natural gas and natural gas liquids. Additions of these hydrocarbons to reserves again were well in excess of the volumes produced for current operations. On the average over the past decade, two barrels have been added to reserves for every barrel produced.

During the year outstanding oil and gas discoveries were drilled in the Gulf Coast area, the Southwest, Alaska and Western Canada.

Of major importance to the Company's long-term productive capacity in the United States has been the continuing successful development of the Bay Marchand offshore field in Louisiana. Repeatedly in recent years, the extensive reserves in this field have been increased substantially by discovery of additional pools and producing zones.

Bay Marchand is a multiple-zone field, capable of substantial production from each of a number of separate oil pools located at varying depths. Proved acreage, all but a fraction of it leased to the Company, currently exceeds 9,000 acres. The field now ranks as the foremost domestic discovery in the Company's history, and is one of the major oil fields in the United States.

Sales of natural gas increased by 23% in 1960, with additional arrangements being concluded for the distribution of this valuable fuel to consumers. The economic potential of the Company's sizable domestic and Canadian gas reserves is growing rapidly, as transmission facilities reach out to new communities. A further large increase in gas sales is expected in 1961.

* * *

Capital and exploratory expenditures totaled \$370,000,000 in 1960 compared with \$400,000,000 in the preceding year. The reduction was accounted for primarily by lower outlays for government leases and reduced expenditures for transportation facilities. Breakdown of the total was \$245,000,000 for exploration and development and

\$125,000,000 for refining, marketing, transportation and other facilities.

The 1960 expenditures program was financed entirely by cash generated from operations. At the close of the year there was \$217,000,000 in cash and government securities on hand for the consolidated operations of the Company, a gain of \$28,300,000 for the year.

For the forthcoming year, capital and exploratory expenditures are expected to exceed \$400,000,000, of which nearly two-thirds will again be earmarked for exploration and for development of proved oil lands. Sizable funds are budgeted for expansion of chemicals manufacturing facilities, including the construction of new plants at Fort Madison, Iowa, and Richmond, California. Increased outlays will also be made for construction of tankers.

Postwar expansion of the Company's operations in the chemicals field has been most successful, with consistent gains being registered year after year. Sales of industrial and agricultural chemicals in 1960 amounted to \$156,000,000, an increase of 9%. Further large-scale extensions of this business are planned in the United States and foreign countries.

* * *

The Company experienced an outstanding increase in the sale of its motor gasolines in 1960. In the Far West, where a majority of the Company's outlets are located, product sales were the highest in history, and the Company improved its share of this growing market. This accomplishment was particularly noteworthy in view of the unusually severe competition.

Principal units of the new Hawaiian refinery, near Honolulu, went on stream in 1960, further enhancing the Company's marketing position in the rapidly growing mid-Pacific region. The new refinery at Saint John, New Brunswick, jointly owned with the Irving interests of Eastern Canada, also began operations and is now producing a full line of quality products for distribution in the Atlantic Provinces and Quebec.

A major corporate reorganization was undertaken at the close of the year to unify Company operations outside of the Far Western states. Effective at the beginning of 1961, five principal subsidiaries of the Company were merged into a single organization, California Oil Company. This subsidiary will have divisional headquarters in New Orleans, Perth Amboy, Houston and Denver. Brand names and identification of sales outlets remain unchanged.

* * *

The Federal Government's oil import controls program was again modified in 1960, resulting in further changes affecting the quotas allocated to the Company.

The Company does not dispute necessity for regulating oil imports in the interests of national defense, but it seriously disagrees with the administrative procedures instituted to carry out the program. The formula which determines individual company quotas arbitrarily favors small refiners over the large, and grants import quotas to many inland refiners which actually cannot process this oil economically in their own plants. Since quotas may be traded advantageously for domestic oil, the system in effect awards "windfall" profits to companies without previous foreign commitments, at the expense of historic importers which have taken substantial economic risks abroad.

As presently implemented, the program moreover encourages excessive refinery runs and contributes to price weakness, thus diminishing incentives for domestic exploration and development. The Company believes basic revisions in the program are essential to correct these inequities and defects, which in no way can be said to benefit the national security.

* * *

The temporary one-cent a gallon increase in the Federal gasoline tax, which was enacted in 1959, is due to be canceled on June 30, 1961. Even though highway building funds will not

be curtailed by expiration of this levy, as alternative funds are automatically provided, it is anticipated that considerable opposition will be raised in Congress to expiration of this tax.

Total of Federal and State gasoline taxes per gallon now averages about 10 cents, which increases by as much as 50% the price which the motorist pays for his fuel at the service station. The Company therefore has joined with other oil marketers and related industry groups in urging that the temporary one-cent levy be ended as scheduled.

* * *

Debate continues in Congressional circles and elsewhere over the propriety of the percentage depletion provision of the Federal income tax law.

It is a fundamental principle of income tax law that a taxpayer should not be taxed upon the conversion of capital, but only upon the realization of income. When a producer extracts oil from the ground and sells it, a substantial portion of the proceeds results from conversion of his capital in one form — oil — to capital in another form — cash.

A depletion provision to give recognition to this has been made ever since Congress enacted the Revenue Act of 1913. If there were no such recognition, the taxpayer would be taxed upon changing the form of his capital, rather than on his income.

After intensive studies of the practical experience of oil producers, Congress in 1926 established a depletion provision under which an oil producer, when calculating his tax, may deduct from gross income, under certain conditions, up to 27½% of the value of the oil as it is brought to the surface.

Congress has given frequent reconsideration to depletion through the years and has continued the provision and the rate as proper. It is this provision which generates the strong and desirable incentives for exploration and development of oil properties so essential to the economic welfare and security of the nation.

The Company strongly supports continuation of this tax provision in its present form, and urges its stockholders, employees and others to do the same.

* * *

It is with a feeling of deep regret that the management reports the death of Mr. Paul Pigott, a director of the Company, in January of 1961. Mr. Pigott, President of Pacific Car and Foundry Company and a prominent industrialist in the Pacific Northwest, served on the Board of the Company for more than 17 years. The wisdom and keen insight which he contributed to the Board's deliberations will be greatly missed.

At the close of 1960, Mr. Robert W. Miller, a director for 13 years, resigned from the Company's Board because he foresaw a situation which could have led to a possible conflict of interest. Pacific Lighting Corporation, which he serves as Chairman of the Board, recently decided to engage in exploration for and development of natural gas, through a subsidiary.

Mr. Miller's experience and counsel were of great value in the formulation of the Company's policies, and his decision was therefore accepted with sincere regret.

Elected to fill the vacancies on the Board were Mr. John A. McCone, former Chairman of the Atomic Energy Commission and now Chairman of the Board of the Joshua Hendy Corporation of Los Angeles; and Mr. William M. Allen, President and Director of Boeing Airplane Company, Seattle. The Company is privileged to have the services of these new directors, whose extensive personal experience and broad knowledge of industry and science will be valuable assets.

* * *

Problems which confronted the oil industry in 1960 were more than ordinarily acute, and the improved results achieved in the face of these obstacles are a tribute to the skill and loyalty of the employees. Their efforts are deeply appreciated by directors and management.

By Order of the Board of Directors

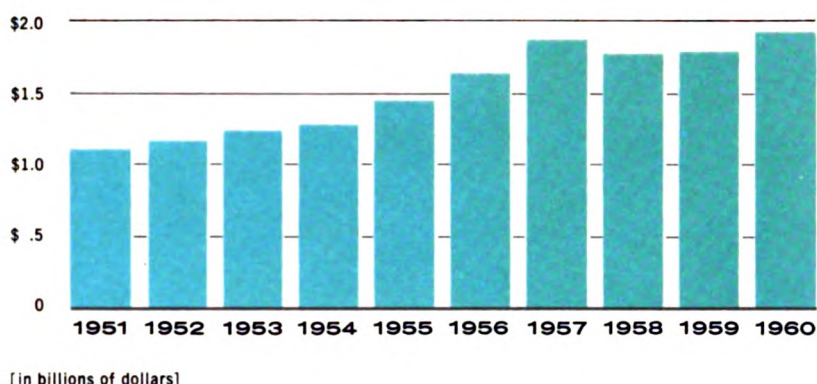
T. S. PETERSEN, President

R. G. FOLLIS, Chairman of the Board

March 8, 1961

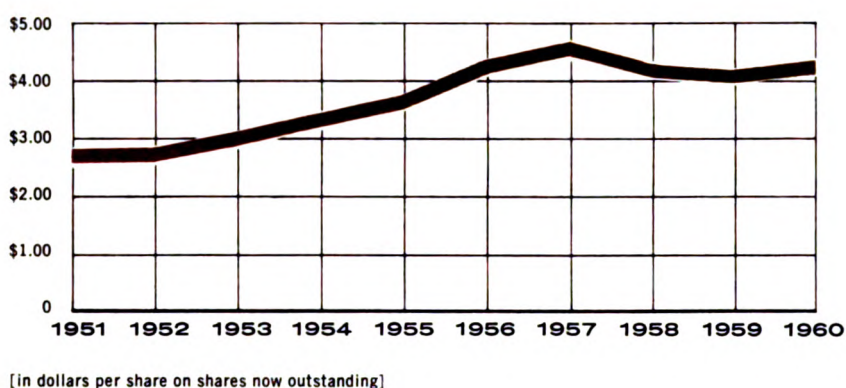
REVENUES

Sales and Other Operating Revenues (including excise taxes) by Consolidated Companies increased 7% in 1960.



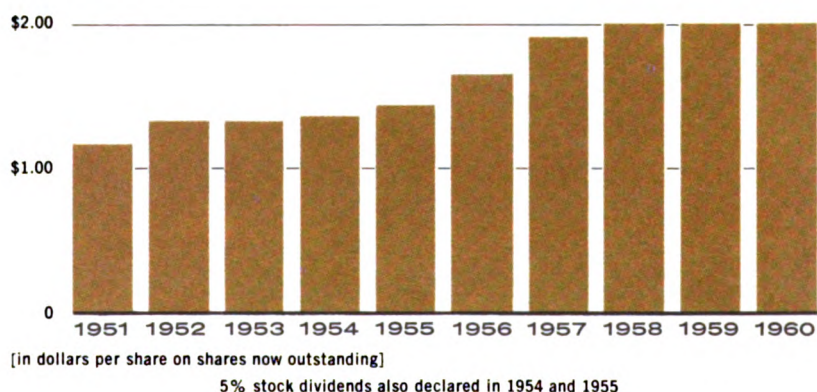
NET INCOME

Net Income up 5% over 1959 with improvement in production and sales in Western Hemisphere together with increased dividends from Eastern Hemisphere.



CASH DIVIDENDS

Cash Dividends of \$2.00 per share paid to stockholders during 1960.



1960 SOURCES AND DISPOSITION OF FUNDS

SOURCES

Net Income	\$266,113,000
Depreciation, Depletion and Amortization	152,198,000
Exploratory Expenditures Charged to Income	81,931,000
Other	40,250,000
TOTAL	\$540,492,000

DISPOSITION

Capital and Exploratory Expenditures	\$369,936,000
Other Investments	15,785,000
Cash Dividends to Stockholders	126,429,000
Increase in Cash and Government Securities	28,342,000
TOTAL	\$540,492,000

*Review of Operations * Western Hemisphere*

Standard Oil Company of California

EXPLORATION AND PRODUCTION

Oversupplies of oil, such as have persisted in the Free World for the last several years, have been commonplace throughout the industry's history. Each time these have occurred, demand has eventually caught up with supply. Occasionally, demand has even raced temporarily ahead of the industry's ability to restore balance. This has been the case, particularly, in times of national emergency.

Guided by this experience, the Company historically has pursued long-range exploration and development programs designed primarily to meet future requirements. While these programs are modified by contemporary events, they are only secondarily influenced by current relationships between consumer needs and oil supplies.

It has been estimated that consumers in the United States and elsewhere in the Western Hemisphere will increase their demands for petroleum products by more than 40% in the next decade. Moving to meet these increased requirements, the Company in 1960 spent \$245,000,000 in finding petroleum and developing previously discovered oil fields. This was two-thirds of the Company's total capital and exploratory budget.

* * *

During the year, the Company engaged in exploration, production or both in 27 states, 7 Canadian provinces or territories, and in 10 countries elsewhere in the hemisphere. These activities resulted in discovery of 23 oil or gas fields and 10 new zones of production in fields discovered earlier. A summary of drilling activity follows:

Completions (including gas wells)

Exploratory	27
Development	514

Dry Holes

Exploratory	47
Development	77

Total wells drilled 665

Gross production of crude oil and natural gas liquids averaged 425,300 barrels daily in the Western Hemisphere, an improvement of 6% over the 1959 figure.

The gratifying upward trend in sales of natural gas which was initiated in 1959 was continued in 1960, with a 23% increase added atop the 1959 improvement. It is anticipated that sales of natural gas in the forthcoming year will improve by 25% over 1960.

At the end of the year the Company had 10,379 producing oil and gas wells. It was engaged in 74 secondary recovery projects for the purpose of increasing production from partially depleted fields. This conservation activity enabled the recovery of approximately 55,000 barrels of oil daily which, under conventional production methods, would otherwise have remained in the ground.

Following are the year's exploration and development highlights, by geographic area:

Gulf Coast, Rockies and Mid-Continent

Results of exploration and development work by the Company in these areas have for a number of years been outstanding. In 1960 operations in these regions again accounted for a large share of the Company's United States production, some two-thirds of the total.

The Company has been particularly active in the Gulf Coast offshore fields, in which it pioneered exploration more than a decade ago.

Note: Western Hemisphere activities are carried on by the Company and various subsidiaries and affiliates. The names of these companies and their respective areas of interest are listed inside the back cover.



"Swamp buggy" carries exploration team in the Louisiana bayou country.

Its production from these fields during the year increased to 55,100 barrels a day, approximately one-fourth of the industry's total production from this source.

Significant discoveries of oil and gas were completed by the Company in 1960, offshore and onshore in Louisiana, in Texas, New Mexico and Oklahoma.

Approximately 80% of development wells drilled in the Gulf Coast area proved productive. Many of these are multiple completions which produce from two or three separate oil or gas zones simultaneously.

Notable among important development projects during the year was further extension of the Bay Marchand offshore field, Louisiana, which is proving to be, both in reserves and production, one of the largest domestic oil fields. Most of the land within the known limits of this field is held by the Company.

During the year a decision of the United States Supreme Court established the Federal Government as the major lessor in the offshore

Gulf area. The Court's ruling awarded the Government title to lands three miles beyond the coastlines of Louisiana, Mississippi and Alabama, and three leagues (10½ miles) beyond the boundaries of Texas and Florida.

Exploratory drilling undertaken off the coast of Florida during the year proved unproductive. However, exploration there is being continued.

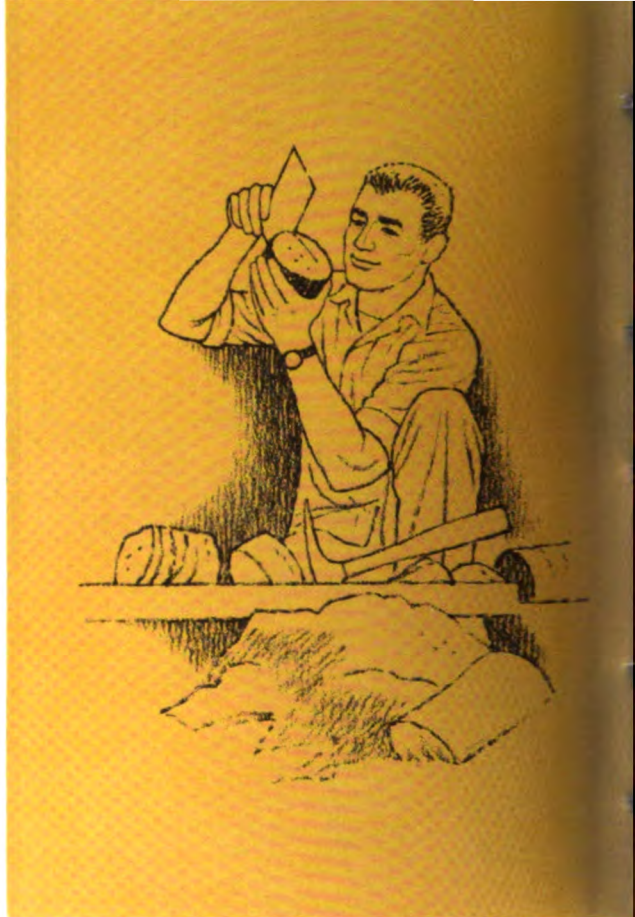
As part of the natural gas development program, the Company began construction of two new gas processing plants in Texas.

Western United States

As operator of a joint venture on the Kenai Peninsula of Alaska, the Company made an important new pool discovery which substantially increased known reserves there and reaffirmed the oil potential of the 49th State.

Discovery of the new pool justified economically the construction of a pipe line and marine terminal system which is now delivering Kenai Peninsula oil to tankers in the

Exploration and Production



adjoining Cook Inlet. A gas zone discovery indicated existence of sizable gas reserves in these same holdings.

At year's end an exploratory well was begun to test State offshore lands in Cook Inlet acquired in 1959 by the Company and a partner. The Company, likewise serving as operator for this joint venture, is drilling the well directionally from an onshore site.

Development drilling continued onshore on the Kenai, with average production reaching 6,500 barrels daily by the end of the year and continuing to increase thereafter. This is the only commercial oil production in Alaska.

Elsewhere in the West the Company continued development of the State leases it holds jointly with another company off the coast of Southern California.

A second offshore drilling platform, costing some \$3,000,000, went into operation there in June. In addition to oil producing wells completed from the platform, the Company also succeeded in directionally drilling commercial

gas producers on one of the leases from onshore sites.

New oil and gas pools were likewise discovered onshore in California during the year, while development drilling was accelerated in established fields throughout this state and in Utah.

Other Western Hemisphere

Drilling operations in Western Canada resulted in one oil and five natural gas discoveries in Alberta. A large gas processing plant, in which the Company holds a part interest, was completed in this area. It is the largest plant of its kind in Canada.

The Company's 1960 production in Canada declined by 2% from the previous year's, due primarily to reductions in production quotas prescribed by one of the provincial governments.

Average daily production in Venezuela for the year was 65,600 barrels, an increase of 32%. This largely recovered the cutback of 1959, when production levels were curtailed



Exploratory well, Kenai Peninsula, Alaska.

as a result of United States import restrictions. Exploratory studies continued on concessions held in Western Venezuela, and one wildcat well is presently being drilled there.

Other exploration work went ahead in offshore areas adjoining Trinidad, the Bahamas and the Turks and Caicos Islands, north of Haiti. The offshore discovery made late in 1959 near Trinidad proved to be

of limited extent, but studies there continue.

Onshore in Latin America, geophysical or geological surveys continued in Colombia, Bolivia and Guatemala. Exploratory wells in which the Company held interest were drilled in the last two countries named, but without success. All concessions in British Guiana, Ecuador and Peru were surrendered during the year.

CRUDE OIL AND NATURAL GAS LIQUIDS PRODUCTION* — (Barrels Per Day)

	Gross		Net	
	1960	1959	1960	1959
California	129,484	130,479	119,014	120,086
Texas-New Mexico	40,552	44,463	35,735	39,155
Louisiana-Mississippi	117,871	104,623	101,271	90,001
Colorado-Wyoming-Utah	42,913	43,600	37,852	38,428
Other States	4,442	2,518	3,890	2,210
Canada	23,917	24,550	21,011	21,545
South America-Caribbean	66,157	49,937	55,177	41,628
Total Western Hemisphere	425,336	400,170	373,950	353,053
Eastern Hemisphere	562,290	486,416	554,349	479,933
Total World-Wide	987,626	886,586	928,299	832,986

*Including interest in affiliates.

Manufacturing



First units of the new, wholly owned refinery in Hawaii went on stream in 1960. Construction of additional facilities is continuing, with completion scheduled for the latter part of 1961. The finished plant will have a capacity of 32,000 barrels daily, its output including liquefied petroleum gas, asphalt, automotive and aviation gasolines, jet and diesel fuels, and the heavier fuel oils used by utilities and ships.

Situated at Barber's Point, 20 miles from Honolulu, the Hawaiian plant is the first modern refinery to be constructed in the Central Pacific area.

The jointly owned Irving refinery at Saint John, New Brunswick, also went into operation during the year, and is now supplying a full line of quality products to the Eastern Cana-

dian market. This plant has a capacity of 45,000 barrels a day, and is the largest oil refinery ever built in Canada as a single unit.

Important units for the manufacture of chemicals were begun or completed at the Company's refinery in Richmond, California, which is now one of the foremost sources of petroleum chemicals in the United States (see Chemicals section).

Other principal Company refineries are located at El Segundo and Bakersfield, California; Salt Lake City, Utah; El Paso, Texas; Perth Amboy, New Jersey; and Vancouver, British Columbia. Additionally the Company operates smaller asphalt refining facilities at five locations elsewhere in the United States and Venezuela.

In 1960 wholly or partially owned refin-



Aerial view of Hawaiian refinery.

eries in the Western Hemisphere processed an average of 519,900 barrels a day.

During the year negotiations were begun for the construction of a refinery by the Company in Peru. The Company will be a minority participant in this venture, which will be largely financed by Peruvian interests.

Increasing motor traffic and the growth and concentration of metropolitan areas since the end of World War II have created complex air pollution problems requiring installation of costly smog abatement devices by industry.

The Company for this purpose has invested more than \$20,000,000 at Richmond and El Segundo to suppress emission of pollutants created by refinery processes. Additional investments have been or are being made at the Company's other refineries for equipment to abate air pollution. Company installations as a

whole are in full compliance with all existing air pollution control regulations.

A noteworthy development during the year was the installation of electronic transmission equipment linking several of the refineries with a large computer at the Company's San Francisco headquarters. Under this arrangement, the computer is able to supply, in a matter of minutes, solutions to technical problems, as well as directions for operating refinery process units with maximum efficiency and profitability.

American Gilsonite Company, in which the Company holds a 50% interest, completed the second expansion of its refinery near Grand Junction, Colorado. This plant converts an unusual solid hydrocarbon, Gilsonite, into gasoline and diesel oils, and into coke which is used in the manufacture of aluminum.

Marketing



Competition was increasingly severe in the sales end of the oil business. Each year the contest for available markets becomes more vigorous, as suppliers expand their geographic coverage and otherwise step up their sales efforts.

In 1960 nationwide inventories of gasoline and other products remained more than ample to meet current needs of consumers. This exerted a depressing influence on prices and thereby intensified the competitive pressures in the industry.

Despite these market conditions, the Company enjoyed gratifying success in sales during the year. Motor gasoline volumes increased substantially throughout all of the Company's marketing territories, although chronic price weakness prevented total sales income from fully reflecting the higher volumes attained.

In the Far West, motor gasoline sales were at an all-time high. This improvement was exceptional, particularly when considering the

many new marketers who added to competition in the West.

The Company continued to increase its marketing representation on the Eastern Seaboard, acquiring additional distribution facilities in that region. Sales in the East were given effective impetus during the year by an imaginative advertising campaign featuring the unique cartoon figure "Hy Finn."

Relations with independent dealers continued to be excellent, and programs to maintain and enhance these relations were actively pursued.

The Company's sales of jet fuel again increased substantially, reflecting the further conversion of airlines to the use of jet aircraft. Installation of underground hydrant fueling facilities was continued at major airports to speed service to the jetliners. Fuel and lubricating oil sales also were increased.

Contributing importantly to the Company's



Standard Stations, Inc., station pump island.

overall sales advance was the introduction of new gasolines compounded with METHYL*, a revolutionary new antiknock agent. The new gasolines immediately met with exceptional consumer acceptance.

During the year the Company marketed several improved products for use in industry, and introduced in part of its marketing area a new deposit-free detergent motor oil, RPM Special. Additionally it commenced sales of a new out-board fuel designed to meet the needs of the rapidly growing pleasure boat market.

Petroleum products of the Company are marketed through 15,360 retail outlets in the United States, Western Canada and Central America. During the year the Company continued to construct, acquire and modernize service stations in these regions, as part of its program for improving and expanding its retail sales coverage.

Sales volumes were improved in Western

Canada, where the Company markets through a wholly owned Canadian subsidiary.

In Eastern Canada, Irving Oil Company, Limited, a major marketer in which the Company has a substantial interest, reported a sizable increase in sales for 1960.

The Company is one of the leading marketers of paving and industrial asphalts, both in the United States and in many foreign countries. This branch of the Company's business is carried on by a group of subsidiaries headed by American Bitumuls & Asphalt Company. During the year this group maintained a relatively high sales rate, although hampered somewhat by oil import restrictions and unstable market conditions.

Marketing operations are being extended to Puerto Rico. A site for a marine terminal and bulk storage plant was acquired there during the year, and substantial progress was made in developing service station outlets.

*Trademark

Research and Chemical Products



RESEARCH

The Company's wholly owned research subsidiary, California Research Corporation, employs some 1,500 people, about half of whom hold degrees in science or engineering. Their full-time assignment is to develop new and improved products from petroleum, methods of discovering and producing crude oil, and techniques for refining it. Additionally these specialists provide technical counsel to other personnel of the Company, as required for solution of day-to-day operating problems.

The functions of the research organization are indispensable to the general progress of the Company, and to its ability to keep abreast or ahead of competition in the petroleum industry. A measure of the importance of these functions to the Company is the annual expenditure for research and technical services, which in 1960 was \$20,650,000.

During the year important progress was achieved in research on new petroleum products, chemicals, refining processes and oil field technology.

A more effective antiknock agent was developed which materially improved the Company's motor gasolines. The new agent,

METHYL*, first significant advance in anti-knock technology in 38 years, affords superior performance when compounded in modern automotive fuels. It is regarded as a major scientific accomplishment.

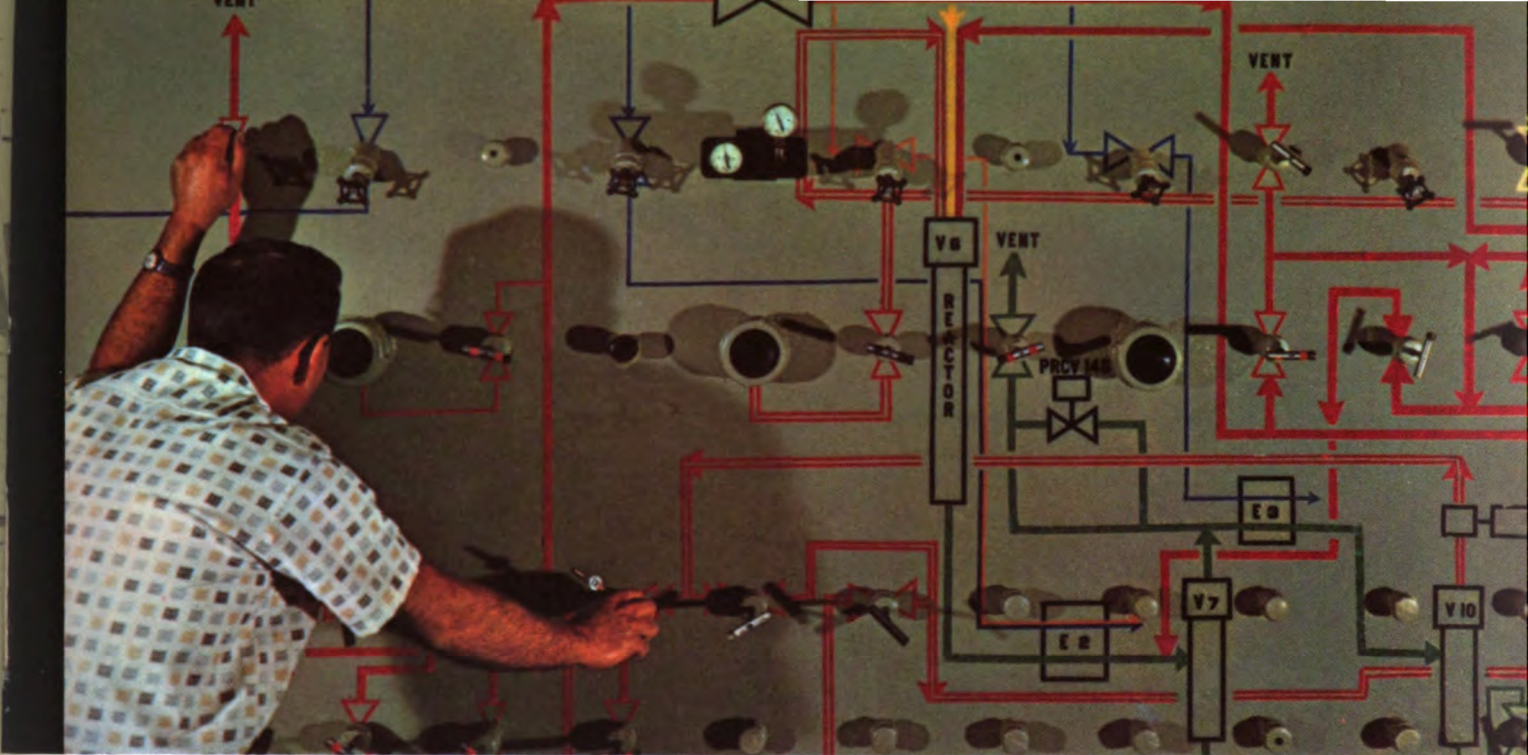
A new single-grade motor oil was developed which offers the same versatile protection from deposits and wear as multigrade oils. This progress was made possible by compounding the new oil with another new product of the Company's laboratories, a deposit-free detergent which leaves no residue in the engine.

Significant improvements were accomplished in processes for manufacturing xylene isomers and other important "building block" chemicals from petroleum. The Company, a pioneer in the development of these processes, is a major supplier of xylenes and other petrochemicals basic to the manufacture of a host of consumer products, including plastics, synthetic fibers, paints and other surface coatings. Latest process improvements afford new opportunities for the Company to expand in the chemicals field, both domestically and in foreign countries.

ISOCRACKING**, the process first announced by the Company in 1959 for converting low-grade petroleum fractions into high octane

*Trademark

**Proprietary name



Left, building panels of reinforced isophthalic resin. Above, automatic pilot plant at California Research Corporation, Richmond.

gasoline, was improved further, both as to cost and as to the range of feed stocks to which it is applicable. The process attracted widespread industry attention during the year, and two other oil companies announced plans to construct large plants employing the ISOCRACKING method. Licensing negotiations with several other companies are in progress.

Oil field research was focused on methods for increasing recovery of petroleum from the Company's producing properties. Attention was also devoted to development of techniques for electronic processing of exploration and reservoir engineering data. The latter afford substantial time savings and increase the efficiency of Company scientists and engineers.

Contract work for the Federal Government included studies into the fundamental nature and behavior of fuel cells. Petroleum may well provide the fuel for these power sources which, after further development, could find widespread application at some time in the future.

CHEMICAL PRODUCTS

The Company's diversification into the chemicals industry has been most successful. Of relatively modest proportions at the end of World War II, this branch of the business has

been expanding at an exceptional rate in the intervening years. In 1960 chemical sales reached \$156,000,000, an increase of 9% over the preceding year, and prospects for continued growth in this field remain most favorable.

In recognition of the increasing importance of the chemicals business to the Company, three of its previously separate chemical subsidiaries were merged during the year, to afford closer coordination of their activities.

Under the new organizational arrangement, the former Oronite Chemical Company and California Spray-Chemical Corporation have become the Oronite and Ortho Divisions, respectively, of California Chemical Company. The latter manages all chemical interests of the Company.

A number of significant projects were undertaken or completed during 1960, further expanding these interests.

The Oronite Division began construction of a \$17,000,000 complex of plants at Richmond, California, for the manufacture of para- and orthoxylenes, important chemical intermediates. Meanwhile the first plant in the West for the manufacture of maleic anhydride, another valuable petroleum chemical, went on stream at Richmond. Oronite Division also purchased a

resin producing plant at Anaheim, California.

Chemicals manufactured and marketed by the Oronite Division find application in a wide variety of end-products utilized in the home and in industry.

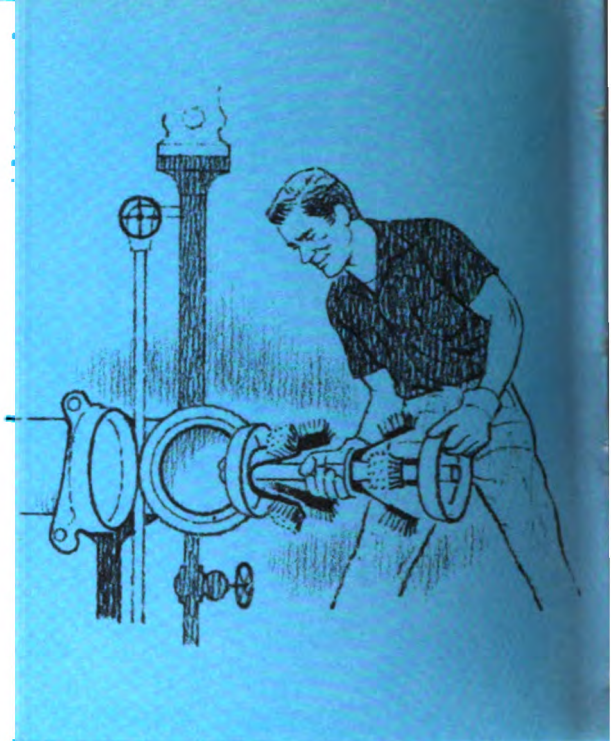
Construction of a \$22,000,000 chemical fertilizer plant was begun by Ortho Division at Fort Madison, Iowa. One of the largest facilities of its type in the Nation, this plant is designed to serve growing agricultural markets of the Middle West. It is expected to be completed by the end of 1961.

Ortho Division, one of the world's largest suppliers of fertilizers, insecticides and fungicides for farm and garden, enlarged both domestic and export markets during 1960. As a part of this program, a new sales district was established in the State of Hawaii. Subsidiaries marketed agricultural chemicals in Canada, Costa Rica, Mexico, Germany and France. The subsidiary in the latter country operates a manufacturing plant serving various areas in the Eastern Hemisphere.

California Chemical Company continued to expand its operations abroad through participation in joint ventures with foreign interests. Joint undertakings announced during the year included a \$20,000,000 project to produce para- and orthoxylenes in Europe, and a plant in Japan to supply the requirements of that nation's detergent industry. Another jointly owned plant was completed in France to supply raw material for the synthetic fiber industry there.

Products bearing the Oronite brand are distributed in 58 foreign countries through California Chemical International, Inc., a subsidiary. The Company's detergents and lubricating oil additives are supplied to European customers by affiliates in France and the United Kingdom.

Foreign sales have been growing steadily and now account for one-third of the Company's total sales of industrial chemicals manufactured in the United States.



TRANSPORTATION

Crude oil and products are transported by a complex system of Company owned and operated tankers, barges, pipe lines and trucks, and in virtually all types of public and private carriers.

The Company's seagoing fleet consists of 29 wholly owned vessels, and 19 other tankships which are under long-term charter to the Company. During 1960 this fleet was augmented by two new tankers, the 42,000-ton *S.S. T. L. Lenzen* and the 68,000-ton *S.S. George L. Parkhurst*, both named for directors and vice-presidents of the Company. These vessels are the second and third to be delivered under the Company's long-range shipbuilding program, which will add seven more tankers to the fleet by 1965.

Company tankers are now plying three new routes as a result of construction of new refineries or development of new crude oil resources. First shipments of crude were made in 1960 from Bandar Mashur, Iran, to the Irving refinery at Saint John, New Brunswick; from Saudi Arabia and Sumatra to the Hawaiian refinery, and from the Kenai Peninsula of Alaska to the Richmond, California, refinery.



Supertanker in San Francisco Bay.

The Company maintains and operates 3,394 miles of crude oil and products trunk pipe lines in the United States.

EMPLOYEE RELATIONS

At year's end the Company and its subsidiaries had 37,986 employees, a sizable proportion of whom continued to be career personnel. For instance, 40% of employees had 10 years or more of continuous service, 14% had 20 years or more.

The Company fully recognizes the valuable investment in training and experience which is represented in each career employee. To preserve and enhance this investment — which is of such mutual advantage to the Company, individual employees and stockholders — various employee relations activities are carried on to develop and improve personal skills, maintain a high level of morale, and encourage long-term service.

A noteworthy example of such activities was the Company-wide Employee Opinion Poll, conducted in the spring to secure employees' views regarding the Company's management, working conditions, opportunities for advancement, and other issues related to their jobs.

Benefits provided by the Company, which likewise serve to attract and retain career people, include extensive protection of health and income, and two companion programs to assure financial security after retirement — the Annuity Plan and the Stock Plan.

More than 4,000 annuitants are receiving a monthly income under the Annuity Plan.

A total of 16,480 employees, more than 97% of all those eligible, invested in the Stock Plan in 1960. Employees' funds, together with the Company's contributions and dividends from stock already held, were used to purchase additional shares on the open market.

At the end of the year, 1,925,000 shares — more than 3% of the Company's outstanding stock — were being-held in trust for employee stockholders until their retirement.

As in previous years the Company carried on its program of Aids to Education, which includes scholarships, fellowships and research grants to individual students, and unrestricted grants to selected colleges and universities. These contributions foster education in the many fields from which the Company and industry as a whole draw essential management and research talent.

Eastern Hemisphere



ARABIAN AMERICAN OIL COMPANY

As a result of its emphasis on maximum economy and productivity of operations, Aramco has been highly successful in maintaining the competitive position of Saudi Arabian crude oil.

Despite world-wide surpluses, the demand for this oil continued to grow in 1960. Aramco's average daily production reached a new record level of 1,247,100 barrels, compared with 1,095,400 barrels a day in 1959, an increase of 14%.

During the year the refinery at Ras Tanura processed an average 224,900 barrels daily of crude, a substantial increase over the 1959 rate of 174,300 barrels a day.

In the latter part of the year, the Khursaniyah field was placed on production, making

available a third grade of crude oil from Saudi Arabia's fields.

Aramco's training program to qualify Saudi Arabs for positions of greater responsibility in the organization continued to show encouraging results. American manpower was sharply reduced and important cost reductions were effected.

The Company holds a 30% interest in Aramco.

TRANS-ARABIAN PIPE LINE COMPANY

Tapline, in which the Company holds a 30% interest, operates the pipe line between Saudi Arabia and a marine terminal at Sidon, Lebanon. The line has moved well over a billion barrels of crude oil since it was completed a decade ago.

Throughput during 1960 averaged 243,800 barrels daily, compared with 336,700 barrels a day in 1959. Competition from tanker trans-



Geologic mapping team, Saudi Arabia.

portation was again particularly serious, because of the world-wide surplus of tanker tonnage.

Tapline's personnel development program has enabled Arab nationals to take over all oil dispatcher and shift foreman jobs in the company. Of the nearly 1,100 employees of Tapline, almost 90% are nationals of the countries through which the line passes.

CALTEX

The Caltex Group of companies, in which the Company holds a 50% interest, engages in exploration, production, manufacturing, transportation and marketing in more than 70 countries of the Eastern Hemisphere. It employs approximately 40,500 people, most of whom are nationals of the countries in which they work.

During 1960 sales of crude oil and products by these affiliates averaged 815,900 barrels a

day, as against 709,700 barrels daily in 1959. This substantial improvement reflected a rapid growth in the Eastern Hemisphere's oil consumption, which was 14% higher than in the preceding year.

Prospects are for continued increases in Eastern Hemisphere energy requirements, and consequently for greater utilization of available productive capacity.

Caltex owns or has an interest in 16 refineries, which are located in 11 different countries. During 1960 these plants processed 620,000 barrels of crude oil daily, compared with a daily rate of 554,600 barrels in the previous year. Other refineries are planned or under construction in France, New Zealand, Pakistan and Turkey, and refineries in additional locations are under consideration. Caltex also has an interest in a new lubricating oil plant to be constructed in Australia.

At the end of the year, Caltex tanker com-

panies owned 64 vessels, and operated another 62 ships under short- or long-term charters.

A widespread exploration program continued during the year. Exploratory wells were drilled on Bahrain Island, and in Libya, Indonesia, Turkey and West Australia. Studies of oil prospects began in Spain, in the Spanish and French Sahara, and on Spitzbergen Island, north of the Arctic Circle. A marginal producing venture in France was sold and further exploration in that country was discontinued.

Production in Indonesia, a major source of crude oil for Asian and Australian markets, averaged 203,200 barrels daily, an increase of 23% over 1959. The higher rate was made possible by the substantial pipe line and terminal investments made by Caltex in Indonesia in recent years.

During the year Caltex also began marketing operations in Indonesia.

IRANCAL

Iran California Oil Company, a wholly owned subsidiary of the Company, holds a 7% interest in the Iranian Oil Consortium, which has exclusive rights to carry on exploration, production and refining within a 100,000-square-mile area of southern Iran.

Irancal's offtake of crude oil during 1960 totaled 63,400 barrels daily, against 51,700 barrels a day in 1959. Of this production, 21,000 barrels daily was refined at the Abadan refinery, and the remainder was exported.

The Consortium's program of exploration and development continued in 1960. Crude from the Gach Saran field in southern Iran is now being exported via a 99-mile pipe line connected to a deep-water terminal in the Persian Gulf. The new terminal, completed on Kharg Island during the year, can accommodate tankers up to 100,000 tons in size.

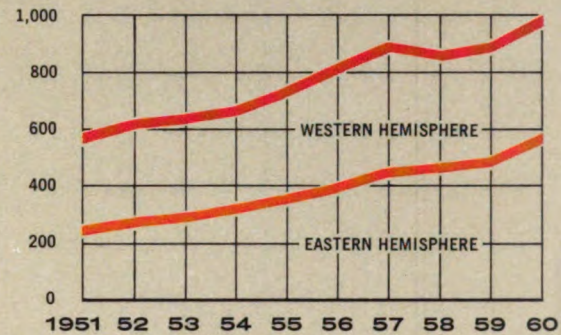
EXPLORATION AND PRODUCTION

STANDARD OIL COMPANY OF CALIFORNIA, SUBSIDIARIES AND AFFILIATES

▲ Exploration ▲ Production



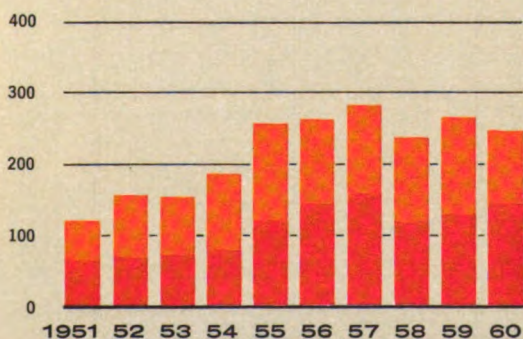
GROSS CRUDE OIL AND NATURAL GAS LIQUIDS PRODUCTION



WORLD-WIDE — INCLUDING INTEREST IN AFFILIATES

[in thousands of barrels per day]

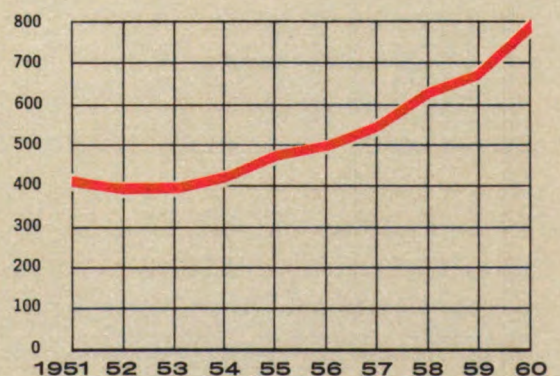
EXPLORATION AND DEVELOPMENT EXPENDITURES



EXPLORATION DEVELOPMENT

[in millions of dollars]

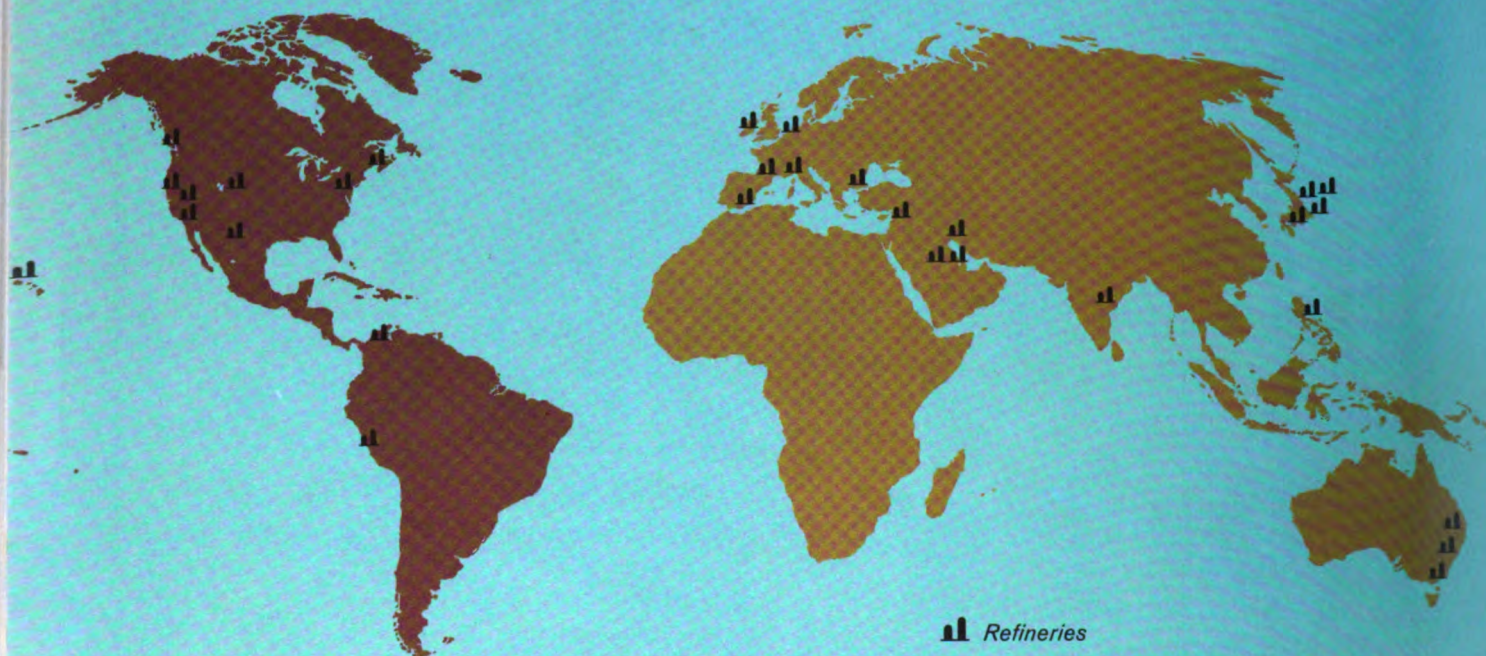
GROSS NATURAL GAS PRODUCTION [Western Hemisphere]



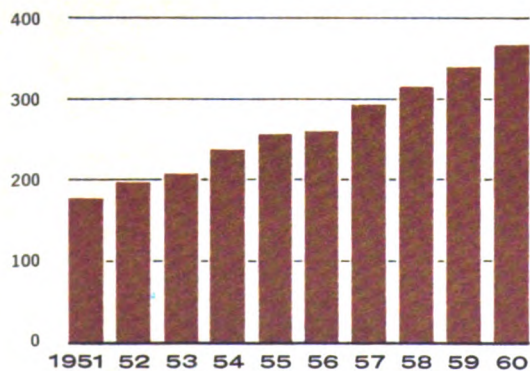
[in millions of cubic feet per day]

REFINING

STANDARD OIL COMPANY OF CALIFORNIA, SUBSIDIARIES AND AFFILIATES

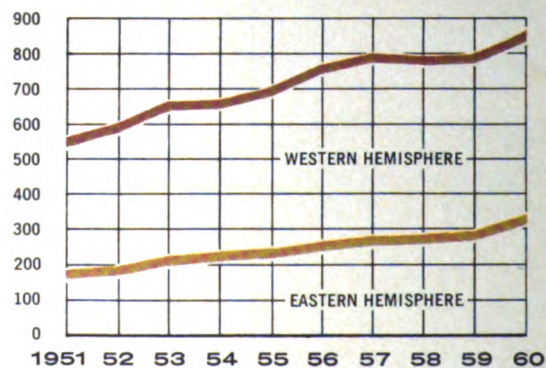


NET INVESTMENT IN MANUFACTURING PLANT [Western Hemisphere]



[in millions of dollars]

REFINERY RUNS OF CRUDE OIL



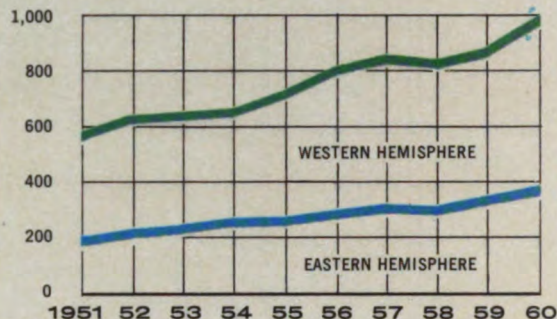
WORLD-WIDE — INCLUDING INTEREST IN AFFILIATES

[in thousands of barrels per day]

MARKETING AND TRANSPORTATION

STANDARD OIL COMPANY OF CALIFORNIA, SUBSIDIARIES AND AFFILIATES

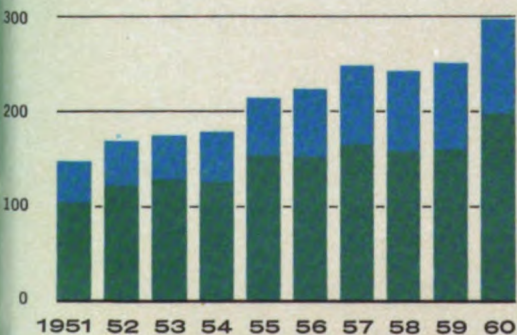
SALES OF PETROLEUM PRODUCTS AND NET CRUDE OIL



WORLD-WIDE — INCLUDING INTEREST IN AFFILIATES

[in thousands of barrels per day]

OIL TRANSPORTED BY TANKERS [Crude Oil and Petroleum Products]



BY COMPANY FLEET

BY AFFILIATES' FLEET
[PROPORTIONATE INTEREST]

[in millions of barrels]

■ Marketing areas

— Tanker routes

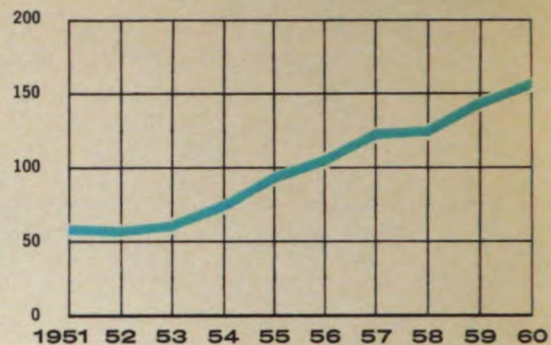
- - - Pipelines

CHEMICALS

CALIFORNIA CHEMICAL COMPANY

CALIFORNIA CHEMICAL INTERNATIONAL, INC.
ORONITE DIVISION
ORTHO DIVISION

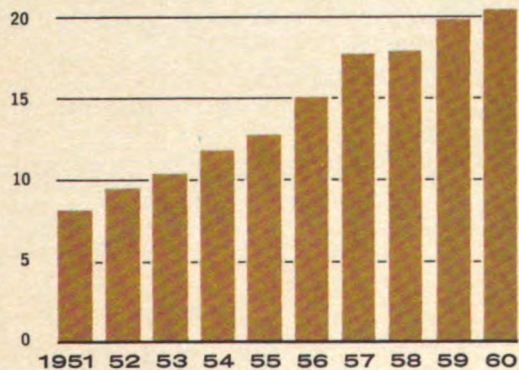
CHEMICAL SALES



[in millions of dollars]



EXPENDITURES FOR RESEARCH [Including Technical Services]



[in millions of dollars]

RESEARCH

CALIFORNIA RESEARCH CORPORATION

Consolidated Statement of Income

<i>Revenues:</i>	1960	1959
Sales and other operating revenues (including excise taxes — See Notes)	\$1,922,475,430	\$1,794,695,496
Dividends from affiliated and other companies	115,847,117	106,960,722
Other income	14,719,105	7,407,428
	<u>2,053,041,652</u>	<u>1,909,063,646</u>
 <i>Costs and Other Deductions:</i>		
Costs of products sold and other operating expenses	1,265,543,985	1,188,518,641
Depreciation, depletion and amortization	152,197,622	141,062,664
Taxes (See Notes)	360,813,203	317,398,860
Interest and debt expense	7,674,910	7,720,894
Income applicable to minority interests	699,186	763,526
	<u>1,786,928,906</u>	<u>1,655,464,585</u>
 <i>Net Income</i>	<u>\$ 266,112,746</u>	<u>\$ 253,599,061</u>

Consolidated Statement of Earned Surplus

	1960	1959
<i>Balance at Beginning of Year</i>	\$1,323,185,377	\$1,193,389,045
<i>Net Income for Year</i>	266,112,746	253,599,061
<i>Credit Resulting from Consolidation of Subsidiaries</i> <i>Not Wholly Owned</i>	—	2,646,043
<i>Cash Dividends</i>	(126,429,274)	(126,448,772)
<i>Balance at End of Year</i>	<u>\$1,462,868,849</u>	<u>\$1,323,185,377</u>

See Notes to Financial Statements on Page 32.

Consolidated Balance Sheet at December 31

ASSETS

	1960	1959			
<i>Current Assets:</i>					
Cash	\$ 93,983,632	\$ 94,474,145			
U. S. Government securities, at cost which approximates market .	123,014,756	94,182,636			
Accounts and notes receivable, less reserve	317,546,880	252,694,167			
Inventories:					
Crude oil and products, at cost (on last-in, first-out basis), which is below market	134,733,621	149,652,220			
Other merchandise, at cost	31,645,381	28,523,465			
Materials and supplies, at or below cost	52,862,566	55,667,418			
	<u>753,786,836</u>	<u>675,194,051</u>			
<i>Long-Term Receivables, Less Reserve</i>	33,575,962	24,000,572			
<i>Investments (At or Below Cost):</i>					
Companies operating in foreign countries	76,225,301	71,633,221			
Companies operating in the United States	16,811,842	15,852,079			
<i>Properties, Plant and Equipment:</i>					
<i>Classification</i>	<i>Gross Book Value</i>	<i>Depreciation, Depletion and Amortization Reserves</i>	<i>Net Book Value</i>		
Producing . .	\$2,038,057,475	\$ 883,158,802	\$1,154,898,673		
Pipe Line . .	107,964,950	59,404,174	48,560,776		
Manufacturing	733,880,280	370,438,237	363,442,043		
Marine . . .	135,696,912	54,131,053	81,565,859		
Marketing . .	274,329,932	107,148,757	167,181,175		
Motor Transport	29,710,172	16,132,702	13,577,470		
Other . . .	52,065,050	17,281,819	34,783,231		
Total . . .	<u>\$3,371,704,771</u>	<u>\$1,507,695,544</u>	<u>\$1,864,009,227</u>	1,864,009,227	1,758,731,904
<i>Prepaid and Deferred Charges</i>				<u>37,874,157</u>	<u>32,883,969</u>
TOTAL ASSETS				\$2,782,283,325	\$2,578,295,796

Standard Oil Company of California

LIABILITIES

<i>Current Liabilities:</i>	1960	1959
Accounts payable	\$ 225,743,672	\$ 164,871,571
Current installments of long-term debt	1,200,000	4,126,773
Federal and other taxes based on income (estimated)	52,921,800	47,704,698
Other taxes payable	44,121,495	42,016,632
	<u>323,986,967</u>	<u>258,719,674</u>
<i>Long-Term Debt:</i>		
Standard Oil Company of California:		
4 $\frac{3}{8}$ % sinking fund debentures due July 1, 1983	150,000,000	150,000,000
Subsidiary Company:		
Salt Lake Pipe Line Company 3 $\frac{1}{8}$ % to 4 $\frac{3}{4}$ % notes due in varying amounts to 1979	22,800,000	25,000,000
	<u>172,800,000</u>	<u>175,000,000</u>
<i>Reserves — General Insurance and Benefits</i>	25,115,700	23,922,650
<i>Minority Interest in Subsidiaries Consolidated</i>	690,578	646,864
Total Liabilities	<u>522,593,245</u>	<u>458,289,188</u>

STOCKHOLDERS' EQUITY

<i>Capital Stock — \$6.25 par value</i>	395,152,412	395,152,412
Shares authorized . . . 80,000,000		
Shares issued 63,224,386		
<i>Capital Surplus</i>	401,668,819	401,668,819
<i>Earned Surplus</i>	1,462,868,849	1,323,185,377
Total Stockholders' Equity	<u>2,259,690,080</u>	<u>2,120,006,608</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$2,782,283,325</u></u>	<u><u>\$2,578,295,796</u></u>

See Notes to Financial Statements on Page 32.

Ten Years of Financial and Operating

	1960	1959	1958
<i>The Company and Consolidated Subsidiaries*</i>			
Net Income	\$ 266,113,000	\$ 253,599,000	\$ 257,759,000
Per Share (On 63,224,386 shares at Dec. 31, 1960)	\$ 4.21	\$ 4.01	\$ 4.08
Dividends	\$ 126,429,000	\$ 126,449,000	\$ 126,449,000
Stock (In year declared) and Stock Splits			
Cash Per Share — (On shares outstanding during the year)	\$ 2.00	\$ 2.00	\$ 2.00
— (On 63,224,386 shares at Dec. 31, 1960)	\$ 2.00	\$ 2.00	\$ 2.00
Sales and Other Operating Revenues (Including Excise Taxes)	\$1,922,475,000	\$1,794,695,000	\$1,773,082,000
Depreciation, Depletion and Amortization	\$ 152,198,000	\$ 141,063,000	\$ 145,891,000
Total Assets	\$2,782,283,000	\$2,578,296,000	\$2,451,069,000
Liabilities	522,593,000	458,289,000	460,859,000
Stockholders' Equity — at Book Value	\$2,259,690,000	\$2,120,007,000	\$1,990,210,000
Working Capital (Net Current Assets)	\$ 429,800,000	\$ 416,474,000	\$ 426,437,000
Properties, Plant and Equipment (Net)	\$1,864,009,000	\$1,758,732,000	\$1,629,329,000
Number of Stockholders	169,646	159,707	152,754
Number of Shares Outstanding	63,224,386	63,224,386	63,224,386
Inventories of Crude Oil and Products (Barrels)	56,016,000	60,490,000	71,667,000
Number of Wells Drilled† — Oil and Gas	544	470	539
Dry	127	148	111
Producing Oil and Gas Wells†	10,380	9,924	9,533
Producing and Prospective Acreage (Net) — United States	10,388,000	10,775,000	11,375,000
Foreign	101,486,000	128,288,000	139,572,000
Number of Employees	37,986	38,390	38,395
<i>Affiliated Companies (Principally Eastern Hemisphere) #</i>			
Excess of Company's Equity in Net Income for Year Over Dividends Received	\$ 2,741,000	\$ 5,807,000	\$ (4,592,000)
Excess of Company's Equity in Net Assets at Book Value Over Investment in Company's Books	\$ 454,983,000	\$ 451,016,000	\$ 446,623,000

World-Wide — Including Interest in Affiliates

WESTERN HEMISPHERE			
Gross Production of Crude Oil and Natural Gas Liquids (Barrels)	155,673,000	146,062,000	147,491,000
Net Production of Crude Oil and Natural Gas Liquids (Barrels)	136,866,000	128,864,000	129,444,000
Refinery Runs of Crude Oil (Barrels)	190,293,000	184,802,000	186,352,000
Sales of Petroleum Products (Barrels)	214,118,000	197,573,000	191,154,000
Sales of Crude Oil Less Purchases (Barrels) *	8,108,000	548,000	(4,281,000)
Sales of Natural Gas (1,000 Cu. Ft.)	216,761,000	176,636,000	163,298,000
EASTERN HEMISPHERE			
Gross Production of Crude Oil and Natural Gas Liquids (Barrels)	205,798,000	177,542,000	165,196,000
Net Production of Crude Oil and Natural Gas Liquids (Barrels)	202,892,000	175,176,000	162,786,000
Refinery Runs of Crude Oil (Barrels)	117,524,000	103,710,000	99,545,000
Sales of Petroleum Products (Barrels)	107,587,000	97,067,000	95,287,000
Sales of Crude Oil (Barrels)	27,439,000	22,650,000	15,300,000
TOTAL WORLD-WIDE			
Gross Production of Crude Oil and Natural Gas Liquids (Barrels)	361,471,000	323,604,000	312,687,000
Net Production of Crude Oil and Natural Gas Liquids (Barrels)	339,758,000	304,040,000	292,230,000
Refinery Runs of Crude Oil (Barrels)	307,817,000	288,512,000	285,897,000
Sales of Petroleum Products and Net Crude Oil (Barrels)	357,252,000	317,838,000	297,460,000

*Companies over 50% owned and controlled for 1959 and 1960; companies 100% owned for prior years.

#Companies owned approximately 50% or less for 1959 and 1960; companies owned less than 100% for prior years.

*Excluding royalty oil purchased.

Statistics *Standard Oil Company of California and Consolidated Subsidiaries**

1957	1956	1955	1954	1953	1952	1951
\$ 288,230,000	\$ 267,891,000	\$ 231,139,000	\$ 211,872,000	\$ 189,453,000	\$ 174,030,000	\$ 173,341,000
\$ 4.56	\$ 4.24	\$ 3.66	\$ 3.35	\$ 3.00	\$ 2.75	\$ 2.74
\$ 120,122,000	\$ 104,320,000	\$ 90,321,000	\$ 87,064,000	\$ 86,020,000	\$ 86,020,000	\$ 74,532,000
	2 for 1 split	5%	5%			2 for 1 split
\$ 1.90	\$ 1.65	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 2.60
\$ 1.90	\$ 1.65	\$ 1.43	\$ 1.38	\$ 1.36	\$ 1.36	\$ 1.18
\$1,861,772,000	\$1,645,981,000	\$1,448,868,000	\$1,271,741,000	\$1,225,214,000	\$1,148,747,000	\$1,092,017,000
\$ 148,996,000	\$ 145,557,000	\$ 138,395,000	\$ 118,768,000	\$ 108,115,000	\$ 98,944,000	\$ 86,764,000
\$2,246,296,000	\$2,041,373,000	\$1,855,610,000	\$1,677,849,000	\$1,535,184,000	\$1,407,198,000	\$1,365,574,000
387,396,000	350,581,000	328,389,000	291,446,000	273,589,000	249,037,000	295,424,000
\$1,858,900,000	\$1,690,792,000	\$1,527,221,000	\$1,386,403,000	\$1,261,595,000	\$1,158,161,000	\$1,070,150,000
\$ 297,224,000	\$ 308,584,000	\$ 283,228,000	\$ 282,224,000	\$ 273,240,000	\$ 235,136,000	\$ 227,861,000
\$1,537,534,000	\$1,394,070,000	\$1,270,320,000	\$1,137,856,000	\$1,037,659,000	\$ 977,159,000	\$ 903,493,000
148,315	137,381	119,793	114,607	112,269	109,749	104,857
63,224,386	63,224,386	31,612,193	30,106,851	28,673,192	28,673,192	28,673,192
66,002,000	49,665,000	49,593,000	53,972,000	48,169,000	37,343,000	33,166,000
792	811	705	547	456	516	460
177	164	117	125	113	173	103
9,568	9,336	8,634	8,288	7,955	7,190	6,907
11,588,000	10,986,000	10,707,000	7,034,000	8,192,000	9,162,000	7,670,000
124,405,000	116,139,000	38,317,000	27,261,000	24,667,000	21,958,000	12,003,000
40,121	38,854	36,369	35,354	34,940	34,753	32,339
\$ 46,541,000	\$ 9,923,000	\$ 22,517,000	\$ 7,392,000	\$ 48,829,000	\$ 48,125,000	\$ 43,816,000
\$ 451,138,000	\$ 418,379,000	\$ 410,178,000	\$ 387,579,000	\$ 380,113,000	\$ 331,244,000	\$ 279,396,000
166,414,000	152,328,000	133,787,000	123,003,000	123,582,000	123,726,000	120,080,000
146,045,000	134,311,000	118,193,000	108,691,000	110,062,000	110,655,000	108,043,000
189,538,000	186,121,000	170,720,000	158,858,000	164,939,000	151,461,000	140,452,000
184,388,000	189,091,000	181,695,000	159,955,000	159,718,000	157,431,000	149,880,000
7,704,000	(2,036,000)	(10,807,000)	(16,494,000)	(12,195,000)	(6,784,000)	(9,232,000)
122,698,000	108,354,000	113,252,000	98,858,000	83,859,000	81,491,000	87,403,000
159,152,000	143,896,000	130,484,000	118,834,000	105,862,000	98,969,000	89,061,000
156,953,000	142,192,000	129,509,000	118,739,000	105,862,000	98,969,000	89,061,000
96,865,000	91,132,000	84,068,000	80,894,000	73,631,000	65,654,000	60,182,000
94,972,000	90,098,000	79,415,000	74,997,000	69,924,000	61,614,000	54,944,000
18,892,000	14,370,000	13,412,000	16,169,000	13,254,000	12,834,000	11,052,000
325,566,000	296,224,000	264,271,000	241,837,000	229,444,000	222,695,000	209,141,000
302,998,000	276,503,000	247,702,000	227,430,000	215,924,000	209,624,000	197,104,000
286,403,000	277,253,000	254,788,000	239,752,000	238,570,000	217,115,000	200,634,000
305,956,000	291,523,000	263,715,000	234,627,000	230,701,000	225,095,000	206,644,000

*On basis of Company's net interest in all wells in which it has an equity.

†First two quarterly dividends at rate equivalent to \$.37½ each and second two quarterly dividends at rate of \$.45 each on 63,224,386 shares outstanding after 2 for 1 stock split.

Notes to Financial Statements

Principles of Consolidation

The accounts of subsidiary companies over 50% owned and controlled are included in the consolidated financial statements.

The Company's equity in the 1960 net income of affiliated companies owned approximately 50% or less exceeded dividends from them during the year by \$2,741,004. The Company's equity in the net assets of such companies at book value exceeded the investment in the Company's books at December 31, 1960 by \$454,982,593.

No provision has been made for foreign and domestic taxes which may be payable on future distributions from surplus of subsidiaries and of companies owned approximately 50% or less.

Properties, Plant and Equipment

Properties, plant and equipment are carried at cost. Exploration expenditures resulting in the acquisition or retention of properties are capitalized, while the remainder is charged to operating expenses. Costs of undeveloped leaseholds are amortized at rates which are based upon past experience. Costs of wells capable of commercial production are capitalized, and costs of unproductive wells are charged to operating expenses.

Contingent Liabilities and Commitments

At December 31, 1960 the Company and its subsidiaries had contingent liabilities of \$46,648,691 as guarantor of notes of affiliated companies and \$23,541,337 as guarantor of notes of others. The Company and its subsidiaries have certain other contingent liabilities in respect of litigation, claims, renegotiation, commitments, taxes and as guarantor of contracts. Officials of the Company are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of the Company and its subsidiaries.

At December 31, 1960 the Company and its subsidiaries had long-term charters and leases, expiring more than three years from such date, covering tankers, service stations and office space. The charter hire and net rentals under such agreements are estimated to average approximately \$31,500,000 annually during the next three years.

Retirement Plans

The companies provide for their liabilities under retirement plans by deposits with trustees and insurance companies.

Taxes

	1960	1959
Excise taxes on petroleum products and merchandise	\$259,072,467	\$229,868,369
Federal and other taxes based on income (estimated)	35,600,000	26,600,000
Property and other taxes	66,140,736	60,930,491
Total	<u>\$360,813,203</u>	<u>\$317,398,860</u>

Report of Independent Public Accountants

To the Stockholders and the Board of Directors of

Standard Oil Company of California:

In our opinion, the accompanying consolidated balance sheet and the related statements of income and earned surplus, together with the notes thereto, present fairly the consolidated financial position of Standard Oil Company of California and subsidiary companies at December 31, 1960 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

San Francisco, March 8, 1961

FOR REPORTS
BEGINNING WITH

1961

PLEASE CONSULT
MICROCARD EDITION

Standard Oil Company of California

AND SUBSIDIARY AND AFFILIATED COMPANIES

FIGURES IN PARENTHESES ARE COMPANY VOTING INTEREST (%)

PRINCIPAL AREAS OF OPERATION

United States

STANDARD OIL COMPANY OF CALIFORNIA	Exploration, Producing Transporting, Refining and Marketing
STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. (100)	Management Company
AMERICAN BITUMULS & ASPHALT COMPANY (100)	Refining and Marketing Asphalts and Asphalt Emulsions
CALIFORNIA CHEMICAL COMPANY (100)	
ORTHO DIVISION	Agricultural Chemicals
ORONITE DIVISION	Industrial Chemicals
CALIFORNIA COMMERCIAL COMPANY, INC. (100)	Service Company
CALIFORNIA OIL COMPANY (100)—EASTERN DIVISION	Refining and Marketing
CALIFORNIA OIL COMPANY —WESTERN DIVISION	Exploration and Producing Refining and Marketing
THE CALIFORNIA COMPANY†	Exploration and Producing
STANDARD OIL COMPANY OF TEXAS†	Exploration and Producing
CALIFORNIA RESEARCH CORPORATION (100)	Research and Development
CALIFORNIA SHIPPING COMPANY (100)	Marine Transportation Management
CALIFORNIA TANKER COMPANY (100)	Marine Transportation
CHEVRON OIL COMPANY (100)	Geophysical Surveys
LOMITA GASOLINE COMPANY (100)	Natural Gasoline
PACIFIC OIL COMPANY (100)	Shale Lands
PASOTEX PIPE LINE COMPANY (100)	Oil Transportation
SALT LAKE PIPE LINE COMPANY (100)	Oil Transportation
STANDARD PIPE LINE COMPANY (100)	Oil Transportation
STANDARD STATIONS, INC. (100)	Service Station Operation
HUNTINGTON BEACH COMPANY (63.64)	Owns Oil Royalties and Land
AMERICAN GILSONITE COMPANY (50)	Producing and Refining Gilsonite
KENAI PIPE LINE COMPANY (50)	Oil Transportation

California, Washington, Oregon,
Arizona, Nevada, Northern Idaho,
Alaska and Hawaii

United States and Puerto Rico

United States and Foreign

New York and Washington, D.C.
Eastern United States
Rocky Mountain and Plains States
Rocky Mountain and Plains States,
Texas and New Mexico
Central, Eastern and
Southeastern States
Texas and New Mexico
California
United States and Foreign
United States and Foreign
United States and Canada
California
Colorado
Texas
Utah, Colorado, Idaho, New Mexico,
Oregon, Texas and Washington
California
Western States
California
Utah and Colorado
Alaska

Canada

CANADIAN BITUMULS COMPANY LIMITED (100)	Asphalt Emulsions
STANDARD OIL COMPANY OF BRITISH COLUMBIA LIMITED (100)	Refining and Marketing
THE CALIFORNIA STANDARD COMPANY (100)	Exploration and Producing
IRVING OIL COMPANY, LIMITED*	Marketing
IRVING REFINING LIMITED*	Refining

Central and Eastern Canada

Western Canada
Western Canada
Eastern Canada
Eastern Canada

Central and South America

ASFALTOS CALIFORNIA S. A. (99.99)	Asphalt Products
BOLIVIA CALIFORNIA PETROLEUM COMPANY (100)	Exploration
CALIFORNIA EXPLORATION COMPANY (100)	Exploration Investigations
COMPAÑIA COMERCIAL CALIFORNIA, S. A. (96)	Service and Marketing
COMPAÑIA GUATEMALA CALIFORNIA DE PETROLEO (100)	Exploration
COMPAÑIA PETROLERA CALIFORNIA COMPANIES (100)	Marketing
INSECTICIDAS ORTHO, S. A. (99.11)	Agricultural Chemicals
RICHMOND EXPLORATION COMPANY (100)	Exploration, Producing and Refining
RICHMOND PETROLEUM COMPANY OF COLOMBIA (100)	Exploration

Brazil
Bolivia
Foreign
Mexico
Guatemala
Guatemala, El Salvador, Costa Rica,
Honduras and Canal Zone
Mexico
Venezuela
Colombia

Caribbean Area

BAHAMA CALIFORNIA OIL COMPANY (100)	Exploration
BAHAMA CALIFORNIA OIL COMPANY LIMITED (100)	Exploration
COMPAÑIA PETROLERA CALIFORNIA, INC. (100)	Marketing
DOMINION OIL LIMITED (100)	Exploration and Producing

Bahama Islands
Jamaica
Puerto Rico
Trinidad

Middle East

ARABIAN AMERICAN OIL COMPANY (30)	Exploration, Producing and Refining
TRANS-ARABIAN PIPE LINE COMPANY (30)	Oil Transportation
IRAN CALIFORNIA OIL COMPANY (100)	Owns 7% Interest in Iranian Oil Operations

Saudi Arabia
Middle East
Iran

Other Foreign Areas

CALIFORNIA ASIATIC OIL COMPANY (100)	Exploration, Producing and Marketing
CALIFORNIA CHEMICAL INTERNATIONAL, INC. (100)	Industrial Chemicals
CALIFORNIA CHEMICAL S. A. FRANCAISE (98.11)	Agricultural Chemicals
CALIFORNIA CRUDE SALES COMPANY (100)	Crude Marketing
CALIFORNIA TRANSPORT CORPORATION (100)	Marine Transportation and Marketing
INTERNATIONAL BITUMEN EMULSIONS CORPORATION (100)	Asphalt Emulsions
CALTEX GROUP OF COMPANIES (50)	Exploration, Producing, Refining Marine Transportation and Marketing

Foreign
Foreign
Eastern Hemisphere
Foreign
Foreign
North and South America
and Pacific area
Eastern Hemisphere except Russia,
China, Central Europe and portions of
West Africa.

† Division of California Oil Company.

* Companies owned jointly with the Irving interests.

ANNUAL MEETING OF STOCKHOLDERS . . . FIRST THURSDAY IN MAY, AT THE COMPANY'S
PRINCIPAL BUSINESS OFFICE, STANDARD OIL BUILDING, 225 BUSH STREET, SAN FRANCISCO.

TRANSFER AGENTS: Standard Oil Company of California, Standard Oil Building,
San Francisco 20, California; The Chase Manhattan Bank, 11 Broad Street, New
York 15, N. Y.; Montreal Trust Company, 466 Howe Street, Vancouver, Canada.

REGISTRARS: Crocker-Anglo National Bank, 1 Montgomery Street, San Francisco
20, California; The First National City Bank of New York, 2 Wall Street, New York
15, N. Y.; National Trust Company, Limited, Burrard at Pender, Vancouver, Canada.



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